

## Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 IO-13 NEA-10 L-03 H-01 PA-01  
PRS-01 SP-02 USIA-06 AID-05 EB-07 NSC-05 EPG-02  
SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03  
INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 /105 W  
-----099284 080854Z /10

P 080754Z JUL 77  
FM AMEMBASSY MANILA  
TO SECSTATE WASHDC PRIORITY 2126

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USADB

FOR NAC AGENCIES

PASS TREASURY FOR BRADFORD

E. O. 11652: ADS, DECLAS 12/31/78  
TAGS: EAID, EFIN  
SUBJECT: ADB LIKELY TO CUT LENDING RATE

REF: STATE 156569

1. U.S. ALTERNATE DIRECTOR MET WITH ADB PRESIDENT AND VICE  
PRESIDENT UPON RECEIPT REFTEL, ADVISED THEM OF U.S. POSITION  
ON ADB LENDING RATE ALONG LINES OF PARA. 5 REFTEL AND URGED  
THAT ADB NOT REDUCE RATE AT THIS TIME. MANAGEMENT EXPRESSED  
CONSIDERABLE SURPRISE AT U.S. POSITION AND SAID IT WAS NOT  
POSSIBLE FOR THEM TO AGREE WITH U.S. THEY SUGGESTED THAT  
THERE IS ENOUGH EVIDENCE OF AGITATION AGAINST PRESENT LENDING  
RATE TO INDICATE POSSIBILITY THAT SOME BORROWERS MIGHT DRAW  
ON IBRD RESOURCES RATHER THAN ADB IF LENDING RATE IS NOT  
REDUCED. THEY ALSO QUESTIONED U.S. VIEW THAT RECENT IBRD  
DECISION TO REDUCE LENDING RATE MAY BE TEMPORARY.

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2. DISCUSSIONS WERE SUBSEQUENTLY HELD WITH DIRECTORS  
FROM JAPAN, UNITED KINGDOM AND CANADA AND ALTERNATES FROM  
AUSTRALIA, AUSTRIA AND NEW ZEALAND. (FRENCH DIRECTOR AND  
SWISS ALTERNATE ARE OUT OF COUNTRY AT PRESENT. HOWEVER,  
GOVERNORS OF BOTH COUNTRIES AT ADB ANNUAL MEETING LAST  
APRIL REFERRED IN THEIR STATEMENTS TO PREVIOUS

REDUCTION IN WORLD BANK RATE, WHICH IN THEIR VIEW CALLED FOR ACTION BY ADB IN SAME DIRECTION.) SEVERAL BOARD MEMBERS ARE NEW TO BANK AND UNFAMILIAR WITH INTRICACIES OF ADB FINANCIAL POLICIES. HENCE, THEY TENDED TO LISTEN SYMPATHETICALLY BUT EXPRESSED NO VIEWS. BRITISH DIRECTOR PERSONALLY FELT THAT 8.7 PERCENT LENDING RATE CANNOT BE SUSTAINED ANY LONGER. JAPANESE DIRECTOR EXPRESSED HIS PERSONAL BELIEF THAT, EXCEPT FOR UNITED STATES, REST OF BOARD WOULD BE PREPARED TO ACCEPT A SIGNIFICANTLY LOWER RATE.

3. IN DISCUSSIONS WITH MANAGEMENT, IT APPEARED CLEAR THAT PRESIDENT WAS NOT PREPARED TO DEVIATE FROM DECISION APPROVED BY BOARD OF DIRECTORS LAST MARCH, NAMELY THAT FINANCIAL POLICIES OF BANK, INCLUDING BANK'S LENDING RATE AND COMMITMENT FEE (ON UNDISBURSED LOANS), SHOULD BE REVIEWED ANNUALLY, AT BEGINNING OF EACH YEAR. THAT DECISION MADE EXCEPTION ONLY FOR REVIEW OF LENDING RATE IN INTERVENING PERIOD IF THERE WERE IMPORTANT DEVELOPMENTS SUCH AS SUBSTANTIAL CHANGE IN BORROWING COSTS FROM THOSE ANTICIPATED OR SIGNIFICANT CHANGE IN LENDING RATE OF IBRD.

4. COMMENT: PRESIDENT DOES NOT WANT COMMITMENT FEE ISSUE BROUGHT UP UNTIL NEXT YEAR'S FINANCIAL POLICY REVIEW AND ALSO DOES NOT PLAN TO RECONSIDER LENDING RATE AGAIN THIS LIMITED OFFICIAL USE

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YEAR AFTER IBRD ANNOUNCES ITS RATE FOR FOURTH QUARTER. IN USADB VIEW, SOME DIRECTORS MIGHT BE SYMPATHETIC TO INCREASING COMMITMENT FEE BUT WOULD NOT WISH TO ADDRESS ISSUE UNTIL NEXT ANNUAL FINANCIAL REVIEW EARLY IN 1978. THERE MAY ALSO BE SOME RISK THAT INTERJECTING COMMITMENT FEE ISSUE AT THIS TIME MIGHT PROVE COUNTERPRODUCTIVE AND ADVERSELY AFFECT EXTENT OF REDUCTION IN LENDING RATE.

5. BOARD DOCUMENT ON ABOVE SUBJECT WAS ISSUED AT CLOSE OF BUSINESS FRIDAY, JULY 8 WITH RECOMMENDATION THAT ADB LENDING RATE FOR LOANS FROM ORDINARY CAPITAL RESOURCES APPROVED ON OR AFTER JULY 1 AND UP TO DECEMBER 31, 1977, BE FIXED AT 8.25 PERCENT PER ANNUM. SUMMARY OF BOARD DOCUMENT WILL BE CABLED MONDAY, JULY 11. BOARD CONSIDERATION SCHEDULED JULY 28. STULL

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## Message Attributes

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**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DEVELOPMENT LOANS, INTEREST RATES  
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**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
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**Original Classification:** LIMITED OFFICIAL USE  
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**Status:** NATIVE  
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**TAGS:** EAID, EFIN, US, ADB  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009